



AR59

NORTH WEST COMPANY FUND

our strategy **at work**



front cover photo:
Northern staff in Rossville, Manitoba
show off team spirit after their store
was reprofiled with expanded food
selling space and lower pricing.
In response to customers' comments
of "My, oh, my how things have
changed," staff initiated a themed
campaign complete with t-shirts,
buttons and display signs.



clockwise from top left to right:
Eva Alainja, Iqaluit, Nunavut
Ula Arnaquq, Iqaluit, Nunavut
Paulusi Davidee, Iqaluit, Nunavut
Northern living, Iqaluit, Nunavut
Wilfred Ferland, Rossville, Manitoba
Tasha Kootoo-Reist, Iqaluit, Nunavut

1999 financial highlights

(in thousands of Canadian dollars)

52 weeks ended
January 29, 200052 weeks ended
January 30, 199953 weeks ended
January 31, 1998**RESULTS FOR THE YEAR**

Sales and other revenue	\$626,469	\$629,118	\$ 616,710
Earnings before interest, unusual item, and income taxes (EBIUT)	39,809	42,831	39,587
Earnings	27,957	16,145	21,037
Pre-tax cash flow	46,503	54,731	47,586

FINANCIAL POSITION

Total assets	\$387,537	\$ 387,411	\$ 425,136
Total debt	171,475	173,973	201,408
Total equity	169,905	164,117	160,160

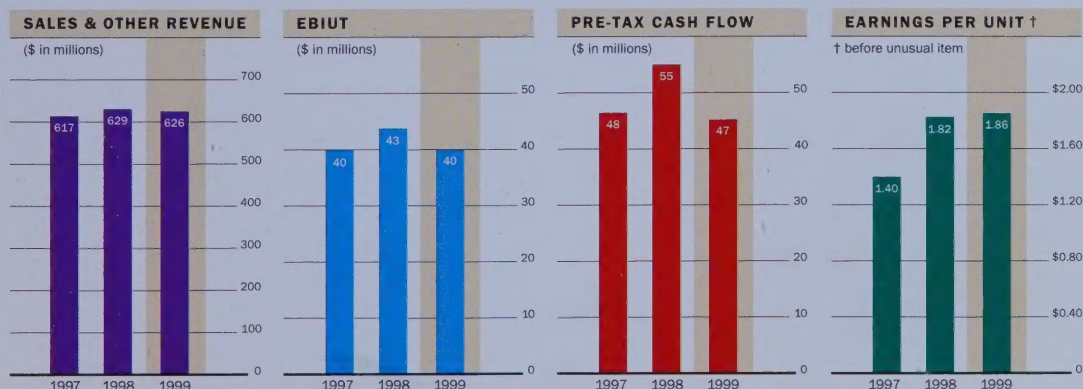
PER UNIT/SHARE (\$)

Earnings for the year before unusual item	\$ 1.86	\$ 1.82	\$ 1.40
Earnings for the year	1.86	1.08	1.40
Pre-tax cash flow	3.10	3.65	3.17
Cash distributions/dividends paid during the year	1.44	1.00	0.60
Equity	11.33	10.94	10.68
Market price – year end	11.75	15.50	14.00
– high	15.95	16.65	14.80
– low	11.25	11.55	10.25

FINANCIAL RATIOS

Debt to equity	1.01 : 1	1.06 : 1	1.26 : 1
Return on net assets*	11.6%	12.1%	11.4%
Return on average equity before unusual item	16.8%	17.6%	13.9%

*Earnings before interest, unusual item and income taxes as a percent of average net assets employed.





We are the leading retailer serving remote, northern communities. Our vision is to grow with our customers and be the most successful small market retailer in North America.

our strategy at work

At The North West Company, we have a straightforward goal — to grow profitably as the first choice for shoppers across northern Canada and Alaska. Our plan to make this happen is called *Vision 2000+* and, in 1999, we invested to make it a reality.

Along the way we experienced additional costs, risks and challenges that contributed to an earnings decline in Canadian operations. Based on these results, there have been questions as to whether we can deliver on our goal. Our answer is clear. While our earnings in 1999 were disappointing, our work and our focus remains correct.

Earnings for the year before unusual items were up slightly to \$28 million (\$1.86 per unit) from \$27.3 million (\$1.82 per unit), after a 29.7% increase in 1998. Sales were down 0.4% to \$626.5 million as we absorbed the top-line impact of closing 19 non-core, under-performing locations in 1998. Our Alaska retail business continued to shine, delivering a 10.3% increase in sales and 42% increase in operating cash flow (earnings before interest, income taxes and amortization or EBITA). Canadian financial performance fell short of expectations with EBITA (earnings before interest, unusual item, income taxes and amortization) dropping 8.4%, largely due to delays in building food sales momentum coupled with a higher than planned blend of lower margin hardlines sales.

In last year's annual report, three key strategies were set out:

- 1. Streamline our business.**
- 2. Focus on what our customers value most and what creates value for us.**
- 3. Be the best at selling.**

After reducing head office costs by \$4.2 million in 1998 and restructuring the planning, buying, distribution and selling roles in the Company, our priorities shifted to Strategy #2.

In 1999, we created a new product mix in 48 of our Canadian stores, shifting our selling space to a stronger, expanded assortment of food and everyday general merchandise items. Sales in these categories increased 5% over our base performance, in line with our expectations. However, the complexity involved in "reprofiling" our stores slowed us down and we were not able to complete the process in as many locations as we had hoped. One challenge is the very tight window of opportunity we have available to ship new equipment and products into locations serviced by sealift or winter roads. This was a problem of execution and it has provided an opportunity for improvement that we've addressed for 2000.



left page:
Edward Kennedy, President & C.E.O.
of The North West Company, in Iqaluit,
Nunavut for the opening of a new
NorthMart store.

above:
Focus on value and selling means more
selling space dedicated to dominant
fresh food, quality and variety.

During 1999, we moved forward in other important areas. We expanded our offering of lower price-point merchandise to our largest and lowest income customer group. We tested new formats in our catalogue business and increased sales by 34% through this channel. We strengthened our executive team in Marketing and Sales and Operations, and we completed a major installation of Year 2000 compliant technology, on time and on budget. In 2000, we will continue to adjust pricing to ensure we are at a fair convenience premium to more distant shopping alternatives.

In Alaska, our repositioning work started four years ago with a streamlined cost structure and a stronger management team. Since then we've upgraded and expanded our selling space and refocused our merchandise mix, similar to what we are now doing in Canada. The results have been very encouraging. Same store sales growth was 7.8% last year. Operating profit rates increased to 4.1% of sales in 1999, compared to 2.8% in 1998 and 1.4% in 1997. Operating cash flow was up 42% to \$6.0 million U.S., moving Alaska closer to an attractive rate of return.

Our investor return goal is to be consistently in the top quartile of performance. In 1999, we achieved a respectable 16.8% return on average equity, placing us near the top of Canadian retailers on the Toronto Stock Exchange (TSE). However, our unit price fell 24% in value. This was partially offset by \$21.6 million in cash distributions to unitholders, a 44% increase over last year. The net result was a total market return of -15%, which was the same as the performance of the TSE merchandising index.

We take our investment performance seriously. Superior long-term value for our investors depends on our ability to enhance value for our customers. We believe the platform we're building makes this possible by positioning us as the leading retail brand in our markets. Our progress shows that our strategy is working — for the long haul.

In 2000, our focus will be on execution and commitment. We have made progress on building a stronger, more competitive North West Company. We expect to keep our focus this year and make our strategy work even better for us. One of our goals is to keep a healthier balance between building for the future and capturing profitable sales opportunities that are available now. We expect to reprofile an additional 70 stores and achieve a higher payback after applying lessons from our 1999 experience. We will be pursuing aggressive growth targets for our wholesale business in Alaska. Finally, alliances with other retail, distribution, transportation and technology partners are part of our plan in 2000 as we seek to grow with others, at a lower cost.

Our financial target for this year is to achieve earnings growth in both Canada and Alaska, based on sustainable competitive strength. Earnings will continue to lag our repositioning efforts over the next two quarters and will remain soft before accelerating in the second half of the year. We consider our cash-generating position to be strong enough to support quarterly cash distributions of 30 cents per unit with a final distribution of approximately 54 cents per unit payable in cash or units, depending on our performance and outlook at that time.

At North West, we expect a lot from each other and we are especially proud of how our people have risen to the challenge. From the western reaches of Alaska's Aleutian islands to our flagship store in Iqaluit, the capital of Canada's new eastern territory, the talents, energy and commitment of Nor'Westers has been exceptional and it continues to make our vision come alive.



EDWARD KENNEDY, PRESIDENT & C.E.O.



IAN SUTHERLAND, CHAIRMAN

April 20, 2000

right:
Hilda Albert helps Michelle Menow and son, John Charles Menow, with an in-store promotion that fulfills everyday needs at Rossville, Manitoba.

below:
Executive team on location in Iqaluit, Nunavut (left to right): David Preddy, Jim Mitchell, Scott Findlay, Edward Kennedy and Carl McKay.



*We take our investment performance seriously.
Superior long-term value for our investors depends
on our ability to enhance value for our customers.*

at work for our customers

Our success depends on how well we can shape our retail offering around what our customers value the most. At the heart of *Vision 2000+* is a company-wide initiative to better characterize our customers and their needs. New customer profiling techniques have been used to create new store formats that better serve unique customer needs.

More than southern retailers, our customers range from low to high income and across all age groups. For simplicity and effectiveness, we've identified three fundamental customer types:

Necessity shoppers make up 60% of our market. Heads of households aged 21 - 50, they look to fulfill everyday needs simply and reliably at the lowest cost. So we've added hundreds of lower price point items as part of our "Best Value" program.

Quality/selection shoppers make up 25% of our market. Also heads of lower income households, aged 25 - 50, they want strong selection in low to medium-priced merchandise and are more trend sensitive. For this shopper, we've enhanced our specialty foods offering and expanded the depth and scope of our *Selections* catalogue.

Trend-driven youth shoppers make up 15% of our market purchasing power, but 50% of our market size. Aged 12 - 21, they want popular brands and the latest styles at reasonable prices. We've met these needs in several ways. We now have over 40 branded fast food outlets in our stores, our *Selections* catalogue has a distinct junior fashion look and most of our stores feature the best local product mix of music and electronics.



25%

NorthMart customers in Iqaluit, Nunavut, left to right:

Betty Ann Eaton is typical of our quality and selection-driven shoppers. She expects variety, freshness and service, at a fair price.

Jennifer Naglingiq and Ceilia MacIsaac are our customers of the future and the present. They shop for the latest trends in convenience food, music and clothes.

Our largest group of shoppers are customers like Jeannie Nawkingak, Jacoposee Tiglik and their children, Ken, Mary and Chris. They look to meet their everyday needs at the lowest price, with access to credit and within a friendly store atmosphere.



15%

*By knowing our customers better,
we serve their needs effectively and
create greater day-to-day value.*



We're becoming better at selling,
by reprofiling our product mix and
optimizing our existing in-store space.



SELECTIONS
Catalogue



- Free Catalogue
- Micro Payment Op
- Convenient Order
- Easy Returns Tool

never close!
Open at Home Convenience!

1-851-9680 Fax 1-800-351-9091
www.selections.northwest.ca

Order Today!

Rossville, Manitoba Northern store,
top to bottom:

Sharon Cromarty uses an MSI
unit to scan shelf labels for
efficient re-ordering.

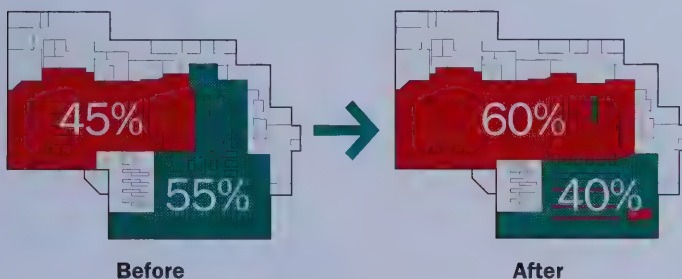
Phyllis Stevenson is happy about
improved product selections.

Katie Fontaine makes use of an
in-store Selections kiosk with toll-
free ordering to make a catalogue
purchase.

at work in our stores

Last year, we created 48 “new” *Northern* stores without laying a single brick. We did it by dramatically re-allocating space between food and general merchandise and by keenly tailoring product mix to local opportunities. We’ve combined sophisticated shelf planning information systems with new levels of knowledge about our customers to make far better use of our selling floor space.

At the same time, we’ve created new selling space. We’ve invested in next generation equipment — especially refrigeration, fixtures and display accessories — to optimize our store investment in a more compelling way for customers. One important result — an average 9% increase in shelf space per store at a cost far below the heavy investment in northern construction that would have been required to expand the four walls of each location.



Store Reprofiling Our reprofiled *NorthMart* store in La Ronge, Saskatchewan demonstrates the space re-allocation of food and general merchandise, in percentage of linear shelf space.

Food
General Merchandise

Our reprofiling initiatives are driving more efficient practices such as using shelf labels for pricing and ordering general merchandise, instead of pricing items individually and ordering through a stock book process. Our customers have also benefited from more efficient layouts that bring together food and general merchandise assortments within natural shopping adjacencies, for example infant’s clothing, toys and related food products.

Reprofiling has also bolstered our *Selections* catalogue business. New signage and in-store kiosks promote the visibility, ease-of-use and enhanced variety of *Selections*, where sales were up 34% in 1999.



The best people, products and stores continue to make our Alaskan operations a solid turnaround story – with more potential to grow.



at work in Alaska

We want to be the retail and wholesale leader in remote regions of Alaska. To achieve this goal, we must develop and sustain some hard-to-duplicate advantages. Our nine consecutive quarters of earnings growth, driven by market share gains, shows our success so far.

Our first focus has been to build the most knowledgeable team in our market by recruiting outside skills and developing existing talent.

We decided that merchandise quality and store operations skills would be key differentiators. That was difficult when we were #2 in most of our locations and losing money. But today, we're known for the cleanest and best merchandised stores and for being in-stock – a critical advantage when other stores are days away.

We've also cultivated an ability to adapt to local customer needs. We started by being the best at food, especially fresh departments like meat, produce and dairy. We also committed to offering a "key item" assortment of everyday basic merchandise. And we've vastly improved our agility in taking advantage of seasonal and short-term big-ticket selling opportunities.

The results – a same store sales increase of 7.8% in 1999, a one percentage point decline in expense rates accompanied by a 42% rise in operating cash flow.

customers and staff in Bethel, Alaska, top to bottom:

Shoppers Julianne Mathlaw and Peter Murray outside the bustling AC Value Center.

Catherine Wessile gets a hand with fabric selection from AC employee Rose Lewis.

Dick Hodge and Store Manager, Bill Lewis, with 91 years of combined retail experience, work to bring the best in fresh produce to rural Alaskans like Gussie King (background).

Anya Treat and Kristine Scott discuss the fine points of cheese in front of a backdrop of outboard motors – not an unusual mix in Alaska where being "in-stock" is a critical advantage.



at work across the North



○ 137 Northern Stores

- **Winnipeg**
- Gibraltar House – Corporate Head Office
 - Retail Service Centre
 - Northcan Distributors
 - Odd Lots Discount Centre
 - Motorized Division
 - Selections Catalogue Operations
 - Crescent Multi Foods



● 6 Quickstop Convenience Stores



○ 5 NorthMART Stores

■ **Toronto**
Inuit Art Marketing Service



● 1 Northern Rental Purchase





THE NORTH WEST COMPANY



● 21 AC Value Centers



Anchorage

- Alaska Commercial Company – Head Office
- Frontier Expeditors
- Distribution Centre



● 1 AC Express Center



● 3 FE Express Centers

THE NORTH WEST COMPANY
FUR MARKETING BRANCH

3 Fur Marketing Branches



the fund at work

HOW OUR FUND STRUCTURE ENHANCES UNITHOLDER VALUE

A few years ago, The North West Company began to consider alternate corporate structures that would allow the Company to tax-effectively distribute more of its strong cash flows directly to shareholders.

The result was the creation of the North West Company Fund. On March 27, 1997, shareholders of the Company exchanged their shares for units in the Fund at a value of \$11.70 each.

Under the old Company structure, dividends were paid from earnings which were subject to corporate tax, generally at a rate of about 44%. In effect, the corporate tax paid by the Company reduced the amounts that could be paid as dividends. Dividends, which were then paid, were also subject to tax in the hands of shareholders at the dividend tax rate.

Under the current Fund structure, distributions are paid from interest which the Fund earns from subordinated notes that have been issued by the Company. This income is not taxable in the Fund's hands provided it is distributed to unitholders. The distributions that are made are then subject to tax at each unitholder's personal income tax rate.

The benefit? Because the Fund does not pay tax before making distributions, unlike the Company, it can make payouts that are much higher. The Fund receives money from the Company as tax deductible interest paid on debt. Currently, the Fund holds \$175 million in 12.5% subordinated notes issued by the Company, as well as some common and preferred shares issued by NWC.

The following table compares how much was paid out in annual distributions and dividends before and after the creation of the Fund in March 1997. On a pre-tax basis, distributions/dividends have more than doubled since 1996, from \$0.70 per share to \$1.44 per unit last year.

Fiscal Year	1996	1997	1998	1999
Pre-tax cash flow/unit (\$)	2.72	3.17	3.65	3.10
Distributions/Pre-tax dividends (\$)	0.70	0.75	1.00	1.44
Payout %	25.7	23.7	27.4	46.5

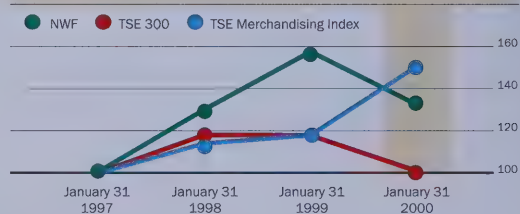
The Company's tax saving per unit on interest paid to the Fund was \$0.33 for the 1997 fiscal year, \$0.62 in 1998 and \$0.65 in 1999.

Distribution Policy

The policy of the Directors of the Company and the Trustees of the Fund is to distribute the Fund's interest income, less expenses, to unitholders in cash as long as:

- the Fund maintains its targeted debt to equity ratio;
- the Company maintains its debt rating;
- cash flows are sufficient for expansion and/or acquisitions; and
- the business prospects of the Company remain positive.

RELATIVE TOTAL RETURN PERFORMANCE (%)



The Fund's units outperformed the 300 composite index of the Toronto Stock Exchange and the TSE merchandising index in 1997 and 1998, but not in 1999. The total return on the Fund's units from January 31, 1997 to January 31, 2000 was 33.7% compared to 50.3% for the TSE 300 and 0.3% for the TSE merchandising index.



clockwise from top to bottom:

"Team Bethel" of the AC Value Center in Bethel, Alaska, ham it up for the camera.

Seepa Ishulutak helps grandmother Elisapee Ishulutak sew sealskin slippers on a long winter evening in Iqaluit, Nunavut.



Jason Currie and Robin Anawak show-off fashions in Iqaluit, Nunavut.

Rex Wilhelm with all-terrain vehicle customer Kay Hendrickson Jr. in Bethel, Alaska. Motorized machines are a top-selling category at AC especially during the fall season when the state of Alaska distributes "Permanent Fund" dividends to all residents.

at work for you

- Cash distributions increased 44% from \$1.00 to \$1.44 per unit.
- Sales at Alaska Commercial Company (AC) up 9.5%.
- AC cash flow margin (EBITA/Sales) improved from 4.7% to 6.0%; EBITA increased 42% to \$6.0 million U.S.
- 48 stores were reprofiled in Canada to focus investment, selling space and product mix on high potential food and everyday basic categories.
- Canadian food sales strengthened in the second half of the year, achieving a 4.3% increase in the fourth quarter.
- Seven new and upgraded stores added 19,000 selling square feet, net of closures.
- Competitive marketing, sales and operations capability was strengthened in Canada by the addition of three senior executives.
- Net capital investment increased to \$20.7 million from \$17.4 million.
- Debt to equity ratio improved from 1.06:1 to 1.01:1.
- National recognition was received from the Canadian Diabetes Foundation for fund-raising support and from The Conference Board of Canada for youth employment leadership.
- The Retail Council of Canada has chosen The North West Company as the winner of the 2000 Resources Protection Recognition Award for its loss prevention and awareness program.

md&a

NORTH WEST COMPANY FUND

On March 27, 1997, the shares in The North West Company (NWC) were converted into units of the North West Company Fund (NWF), a mutual fund trust which assumed ownership of NWC. On that date, NWC issued \$85.5 million in subordinate notes to the NWF at an interest rate of 12.5%. The subordinate notes were increased to \$175.0 million at December 10, 1998 which is the maximum permitted under the terms of an agreement with the holders of NWC senior debt. Interest is paid by NWC to the NWF on a semi-annual basis on March 15 and September 15. Interest on the notes is tax-deductible by NWC. The impact of this tax saving in NWC on earnings of NWF was \$0.65 per unit in 1999 compared to \$0.62 in 1998. NWF makes distributions on a quarterly basis of interest income after deducting fund expenses to the unitholders.

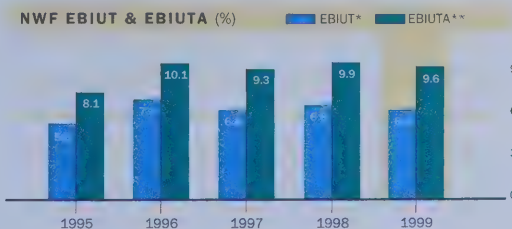
During 1999, unitholders received quarterly cash distributions of \$0.30 per unit on March 15, June 15, September 15 and a final cash distribution of \$0.54 per unit on December 15. The quarterly distribution of \$0.30 per unit effective March 15, 2000 is expected to be maintained for 2000 and the final distribution for 2000 is expected to be made of approximately \$0.54 per unit payable in cash or units, payable on December 15. The Directors and Trustees will decide in November 2000 on the level of cash distributions for 2000 based on projected earnings, the debt to equity ratio, the Company's debt rating, capital requirements for expansion and/or acquisitions and future business prospects.

NWF CONSOLIDATED OPERATIONS OVERVIEW

Revenue and Earnings

NWF reported consolidated earnings of \$28.0 million for 1999, or \$1.86 per unit compared to \$16.1 million or \$1.08 per unit last year. The results for 1998 included an unusual charge totaling \$20 million (\$11.1 million after deducting related income tax credits) or \$0.74 per unit as a result of a major repositioning of Canadian operations. Earnings before interest, unusual item and income taxes (EBIUT) decreased by 7.1% to \$39.8 million in 1999. This was due to a 13.4% decline in Canadian EBIUT, which was only partially offset by a 57.0% improvement in the earnings before interest and income taxes (EBIT) from Alaska Commercial Company (AC). Earnings before interest, unusual item, income taxes, and amortization (EBIUTA) decreased by 3.4% to \$60.0 million in 1999. The effective income tax rate for 1999 was nominal. Income taxes from Canadian operations were only \$151,000 over tax recovered from the deductions related to interest paid on the subordinated notes. AC pretax earnings were applied to AC tax losses carried forward.

Sales for the 52 weeks ending January 29, 2000 decreased 0.4% (increased 0.3% on a same store comparable 52-week basis) to \$626.5 million. Canadian operations accounted for 76.4% of total revenue (78.5% last year) while Alaskan operations contributed 23.6% (21.5% last year).



* EBIUT is earnings before interest, unusual item & income taxes.

** EBIUTA is earnings before interest, unusual item, income taxes & amortization.

It's early, but we're starting to see benefits from Vision 2000+.

EDWARD S. KENNEDY
President and C.E.O.

Edward, 40, joined the Company in 1989. He has held several senior management positions including two years as President and C.E.O. of AC. A Canadian "Top 40 under 40" recipient in 1999, Edward is active in Aboriginal economic development initiatives.

CANADIAN OPERATIONS

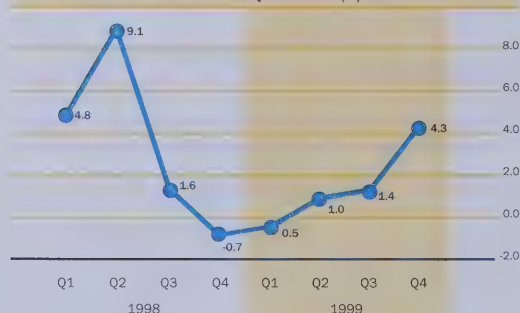
Canadian sales of \$478.5 million decreased 3.1% or \$15.5 million. Of this decline, \$13 million was due to the closure of under-performing, non-core stores during the second half of 1998. The remaining decline of \$2.5 million was due to a 0.6% decline in core operations sales (-1.5% on a same store basis).

Total sales from core operations were expected to be flat for the year due to the Company's transition of store selling space and product mix. Actual sales were close to plan but the shift in product mix and margin rate was off plan. Food sales accounted for 66.5% of total sales. They were expected to grow faster than the 1.5% achieved (0.7% on a same store basis) but were impacted by delays in our reprofiling initiative, deflationary pricing and increased competition. General merchandise sales were down as planned but the mix of lower margin hardlines sales was higher than expected.

In the first half of the year, food sales and margins were negatively impacted by an investment in sharper everyday and promotional pricing. These initiatives were successful in improving price perception and helped increase unit sales by an average of 10%. But they also had a deflationary effect on dollar sales and bottom line contribution.

Of the 48 stores reprofiled in 1999, 45 were completed in the second half of the year. In the fourth quarter, food sales were up 4.3% due to reprofiled stores' expanded food mix and from the pricing initiatives taken in the first half.

FOOD SALES GROWTH BY QUARTER (%)



General merchandise sales decreased by 5.1% or \$8.0 million (-5.8% on a same store basis). Sales were expected to decline as unprofitable in-store merchandise categories were discontinued or shifted to the *Selections* catalogue channel. Hardlines sales performed strongly and helped drive *Selections* shipments up by 34.2% to \$32.9 million. Apparel catalogue sales were a disappointment and seasonal apparel in-store inventory investment was very light in the first half of the year. Warm weather conditions in the North also had a negative impact on seasonal merchandise sales, especially in apparel.

On a regional basis, sales growth was strongest in larger communities across the North West Territories and Nunavut Territory. Increased market share in foods combined with more infrastructure spending in the local economies were the main factors. Sales were soft in Arctic Quebec due to stronger local competition.

Sales per selling square foot were \$708 for food (\$802 in 1998) and \$288 for general merchandise (\$241 in 1998) due to the shift in additional square footage to food from general merchandise. Inventory turnover in the core stores increased to 4.14 turns in 1999 from 3.95 turns in 1998.

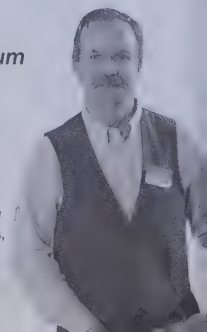
Gross profit rates were 35.0% in 1999 compared to 35.3% in 1998. The rate dropped as a result of a higher blend of food sales and lower margin big ticket merchandise, increased freight costs, soft outerwear and footwear sales and competitive pressures.

Canadian operating expenses were down 1.2% for the year, however, the rate increased to 27.9% from 27.4% last year due to the sales decline. The expense decrease was attributable to the stores closed at the end of 1998. Comparable store expenses increased by 0.6% with increased occupancy costs offset by additional revenues from the expansion of financial services in 1999. Overhead costs increased by 4.2% with the largest increases in information technology expenses related to the completion of Year 2000 (Y2K) projects.

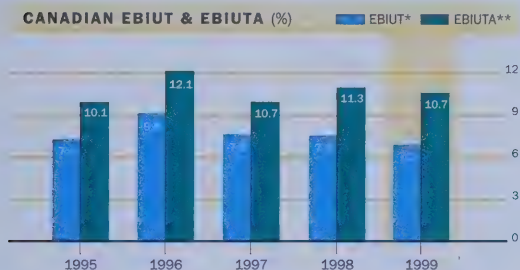
In Q4 1999, food sales momentum picked up with a 4.3% increase.

SCOTT F. FINDLAY
Vice-President, Food Marketing

Scott, 43, joined the Company this past year after 18 years with convenience retailer *Silcorp Limited*, Toronto. His experience in convenience store marketing/operations, wholesale services, and new product development fits well with NWC's consumer focus.



EBIUT from Canadian operations decreased \$5.2 million to \$33.8 million or 7.1% of sales. Almost all of this decrease was due to the \$8.0 million sales decline in general merchandise not being offset quickly enough with an increase in food sales.



* EBIUT is earnings before interest, unusual item & income taxes.

** EBIUTA is earnings before interest, unusual item, income taxes & amortization.

Capital expenditures in Canadian operations were \$20.5 million in 1999 versus \$14.0 million in 1998. The reprofiling investment in 48 stores cost \$6.8 million and consisted of adding upgraded, standardized fixtures and new refrigeration equipment. Expansion and upgrading of our flagship store in Iqaluit, Nunavut and the replacement of a store in Attawapiskat, Ontario cost \$6.3 million. Investments totaling \$2.9 million were made in renovations of existing stores, equipment replacement, the acquisition of three new stores and on support facilities. Investments in information systems of \$4.5 million were primarily directed at completing the food module of a central merchandise management system, the conversion of AC's system to a common platform with Canadian operations and to the upgrading of NWC's technology infrastructure to ensure it was Y2K compliant. Capital spending in 2000 in Canada will be approximately \$19 million with major components including the acquisition of two new stores in new markets, the replacement of a store in Arviat, Nunavut and the reprofiling of 70 stores.

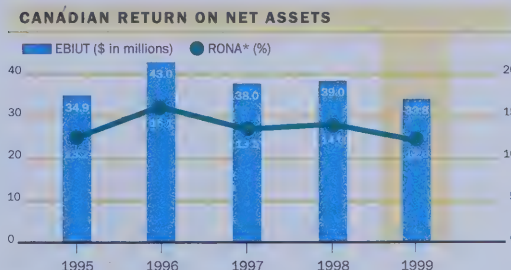
Canadian operations added 19,000 square feet of selling space in 1999 to core operations, an increase of 1.9%. These additions included 6,700 square feet in new locations and 12,300 square feet from the expansion of existing stores to strengthen our position in key regional communities. The majority of new space was allocated to the food selling area. Three

smaller *Northern* stores were opened in new markets during 1999 and one *Northern* store was closed during the year.

Canadian operations had 3,787 employees at year-end compared to 3,823 last year. Staff reductions were made in distribution and in stores operations during the year.

Diversified Business

The Diversified Business group consists of three *Fur Marketing Branches*, the Inuit Art Marketing Service and Crescent Multi Foods, which distributes fresh produce to customers primarily in Manitoba and Saskatchewan, including 53 *Northern* and *NorthMart* stores in the region. Total sales for the group was \$12.2 million compared to \$10.9 million in 1998. EBIUT improved to \$1.2 million in 1999 compared to \$0.5 million in 1998.



* EBIUT as a percentage of average net assets employed.

Vision 2000+ Update

In the spring of 1998, the Company announced a new strategic direction called *Vision 2000+*, which is aimed at strengthening the Company's competitive positioning and profitable growth potential in Canada. This plan is designed to improve margins and market share in targeted categories and customer segments.

Vision 2000+ builds long-term value in the Company's Canadian operations through the disciplined execution of three key strategies that are also updated elsewhere in this annual report:

1. Streamline our business.
2. Focus on what our customers value most and what creates value for us.
3. Be the best at selling.

The restructuring initiative that is part of *Vision 2000+* directly supports the first of these strategies by reducing administrative costs, exiting non-core, lower profit store locations and eliminating less profitable, low growth merchandise categories.

By the end of 1998, 10 *Northern* stores, one *Quickstop* convenience store and three *Fur Marketing Branches* were closed as part of the *Vision 2000+* divestiture strategy. A major restructuring of our supply chain and support services groups was also completed. Buyer responsibilities were changed to embrace a category management approach to the growth of the Company's distinct merchandise groups. Support costs were reduced in all corporate service areas by consolidating responsibilities, eliminating less critical functions, and redesigning the work to take advantage of the investments made in technology.

Another key *Vision 2000+* initiative is the expansion of in-store food and basic general merchandise shopping categories while placing less emphasis on fashion apparel and big-ticket durables. This initiative is aimed at capturing profitable growth potential in foods while building a stronger direct or catalogue selling channel for selection-driven merchandise. The plan to physically reprofile all stores is expected to be finished by early 2001. Purchasing in the affected merchandise groups was cut back through 1999 for stores scheduled to be reprofiled and clearance programs were developed to dispose of merchandise that will no longer be carried in the stores or in the catalogue.

In 1999, further refinements were made to strengthen the organization's ability to execute these strategies. This included adding senior management with category management experience who could lead the marketing programs and enhance competitive food sales and operations capabilities to improve in-store execution. Detailed store space plans were built to provide a disciplined approach to matching space and merchandise to local opportunities and to provide the basis for ongoing measurement of merchandise performance. Construction and merchandising teams were established to supervise and complete

reprofiling work in the stores. Forty-eight stores were reprofiled during the year. Customer response has been very positive overall but it has taken more time to shift shopping patterns than initially planned.

The third strategy is to create a superior store and direct selling capability. In 2000, this strategy will be prioritized with increased focus on streamlining in-store processes, investing in technology and building merchandising skills in support of *Vision 2000+*. One important change has been the restructuring of store groups to reflect the diverse customer segments served by the Company and the different types of local competition.

At the end of 1999, \$14.4 million of the \$20.0 million restructuring provision had been used. Management believes the remaining provision is adequate to complete the *Vision 2000+* strategies.

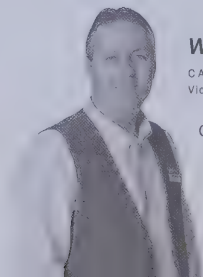
ALASKAN OPERATION (in U.S. dollars)

Alaska Commercial Company (AC) improved its profitability in 1999, delivering a 58.2% increase in EBIT to \$4.1 million compared to \$2.6 million in 1998. Sales were up 10.3% (7.8% on a same store comparable 52-week basis) to \$100.0 million for the year. Food sales, which accounted for 76.7% of total revenue, increased 10.5% (6.4% on a same store comparable 52-week basis). These gains were primarily driven by capturing market share through superior food merchandising and better executed seasonal general merchandise programs. AC continued to benefit from the expansion and replacement of its two largest stores in mid 1998. General merchandise sales were up 9.3% (12.1% on a same store comparable 52-week basis) from 1998, led by sales of motorized products such as snow machines and all-terrain vehicles. These sales were stimulated by a record "Permanent Fund" payment to Alaska residents in October. Commercial fishing affects the local economy related to approximately 25% of AC's sales base. Commercial salmon prices improved in 1999 and this provided strength to the economy over the summer. The winter crab season was restricted due to poor supply which hurt sales in the final quarter.

We're stepping up the pace of reprofiling in 2000.

CARL A. MCKAY
Vice-President, Sales & Operations - Traders Division

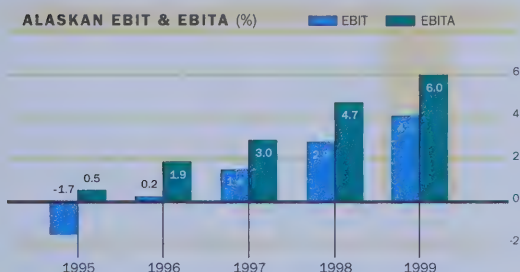
Carl, 46, joined the Northern Stores Division in 1972 and has served as a Store Manager, District Manager, Sales Manager for the Arctic Region, Director of Human Resources, and General Manager of the Interior Region. Carl is a hands-on executive who has "been there" and "done that" in most areas of NWC's operations.



Gross profit rates increased 0.2% to 32.5% due to better buying and in-store execution. AC's expense rate decreased to 28.5% from 29.5% as a result of lower staff costs, more cost-effective advertising and increased in-store revenues from financial services. Year-end inventories at \$15.2 million were \$1.2 million or 8.6% higher than last year mainly due to the opening of two new stores and the expansion of *Frontier Expeditors (FE)*, AC's wholesale operation.

FE's sales increased 30.9% by capturing market share in rural and bush Alaska and by starting to provide service to retailers in Anchorage and its vicinity. To keep pace with growth opportunities, *FE* will be relocating to larger facilities in the first quarter of 2000.

EBIT and EBIT before amortization (EBITA) of Alaskan operations are summarized below.



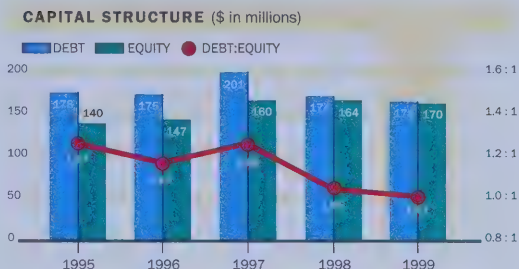
Net capital expenditures in 1999 were \$1.5 million. Two new stores were opened during the year in King Cove, Alaska and Nuiqsut, Alaska. Capital spending in 2000 is expected to be approximately \$1.2 million and will be spent on one new store, the development of a food court in an existing location and on miscellaneous replacement expenditures.

Staff levels in the Alaskan operations increased from 635 to 655.

At January 29, 2000, AC employed net assets of \$46.7 million compared to \$46.2 million at the previous year-end.

LIQUIDITY AND CAPITAL RESOURCES

NWF's capital structure is reflected in the following chart.



On a consolidated basis, NWF had \$171.5 million in debt, and \$169.9 million in equity at the end of the year with a continuation of the improvement in the debt to equity ratio to 1.01:1 at the end of 1999 versus 1.06:1 a year earlier.

Cash flow from operations at \$44.6 million decreased by \$7.5 million or 14.4% from last year. Inventories were held to a \$0.4 million increase or 0.3% over last year despite a net increase of four stores. Accounts receivable balances increased 4.9% due to increased motorized sales in AC and higher commercial account balances in Canada.

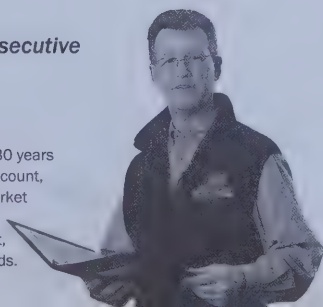
No new debt was issued or required in 1999. In addition to the \$112.0 million in secured bonds outstanding, NWC has \$106.0 million in secured operating lines of credit with banks in Canada and the United States of which \$44.7 million was drawn at the end of the year compared to \$40.9 million last year. The Fund's operations were reviewed by Dominion Bond Rating Service in April 2000 and its BBB low rating remained unchanged.

In 1995, NWC converted \$42.8 million of its bond issue to U.S. dollars which serves to hedge foreign currency fluctuations on the majority of its U.S. assets. This swap resulted in a net unrealized gain of \$2.3 million at the end of the year.

Alaska has delivered nine consecutive quarters of growth.

GERALD (JERRY) H. BITTNER
President, Alaska Commercial Company (AC)

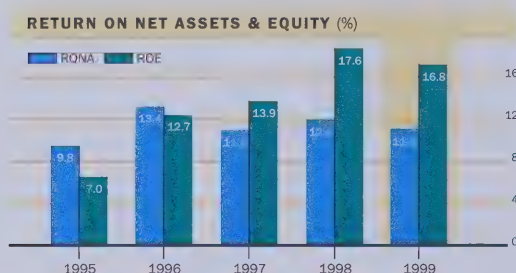
Jerry, 57, joined AC in 1996, bringing over 30 years of retail experience as an executive with discount, warehouse club, hypermarket and supermarket formats. He has worked in Michigan, California, Washington, and the Middle East, and has served on various community boards.



Book value per unit at the end of the year was \$11.33, an increase of \$0.39 or 3.6% from last year.

The number of units outstanding at January 29, 2000 was 15,000,000, unchanged from January 30, 1999. The average number of units outstanding during 1999 and 1998 was also unchanged at 15,000,000.

NWF produced a return on average net assets (RONA) of 11.6% in 1999 compared to 12.1% in 1998. Return on equity before unusual item (ROE) of the NWF was 16.8% versus 17.6% in 1998.



Normal Course Issuer Bid

On March 27, 2000, the North West Company Fund received approval from the Toronto Stock Exchange (TSE) to make a normal course issuer bid to purchase units of the Fund over the next twelve months.

The Fund intends to repurchase up to 750,000 units, or 5% of the outstanding units of the Fund, and would not exceed more than 2% of the outstanding units in any thirty day period, in accordance with TSE regulations. The price, which the Fund will pay for any such units, will be the market price at the time of acquisition. The actual number of units, which may be purchased, and the timing of any such purchases will be determined by the Fund. There were 15,000,000 units of the Fund outstanding on March 27, 2000 with the public float amounting to approximately 14,163,000 units. The normal course issuer bid will terminate on March 23, 2001 or on such earlier date as the Fund may complete its purchase pursuant to the notice.

Capital Expenditures

Total capital expenditures in 1999, net of \$2.1 million in disposals, were \$20.7 million compared to \$17.4 million in 1998. Net capital spending on Canadian and Alaskan operations respectively amounted to \$18.4 million and \$2.3 million. Capital expenditures are expected to be about \$20 million in 2000, which will be funded out of operating cash flow.

Interest Expense

Interest expense at \$11.7 million was 14.7% less than in 1998 due to lower average debt levels and lower interest rates. The average cost of debt decreased to 6.68% from 6.90% in 1998. The average debt outstanding during the year was \$175.0 million, 11.9% lower than the average debt of \$198.7 million in 1998. Consolidated debt at the end of January 2000 was \$171.5 million which was 1.4% less than a year earlier while net assets employed increased 1.0% to \$341.4 million. Fixed rate financing remained at \$20.0 million in swaps outstanding until August 28, 2000.

The interest coverage ratio improved to 3.40 times compared to 3.12 times last year.

(\$ in millions)	1995	1996	1997	1998	1999
Coverage ratio	2.63	3.65	3.22	3.12	3.40
EBIUT (\$)	32.9	43.2	39.6	42.8	39.8
Interest (\$)	12.5	11.8	12.3	13.7	11.7

Income Taxes

NWF recorded a provision for income taxes of \$151,000 compared to a tax recovery of \$7,028,000 in 1998. The current year's provision for income taxes has an effective rate of 0.5%. This results mainly from NWC deducting interest payments made to the Fund and AC's taxable income being eliminated by utilizing loss carried forwards.

Deferred income taxes of \$4.8 million represent the tax benefit of operating losses available to offset future taxable income, net of the deferred tax credits arising from claiming tax deductions in excess of book amounts. Loss carried forward amounts of \$25.7 million are available until 2006 for Canadian operations and \$5.7 million U.S. until 2012 for U.S. operations.

We are determined to satisfy our customers' growing needs by identifying specific opportunities in specific markets.

DAVID J. PREDDY
Vice-President, Sales & Operations - Merchants Division

David, 47, joined the Company in 1999 with 26 years of retail experience gained at Loeb food stores and Sobeys'. His store sales and operations experience will help NWC in building capabilities within its larger stores.



RISKS

NWC is exposed to the normal longer term business risks of the retail marketplace. The following table lays out the key risk factors that could affect the Company and its long-term profitability:

External Factors	Internal Factors
Consumer environment	Customer service
Government spending	<i>Vision 2000+</i>
Employment income	Use of technology
Retail competitors	
Interest rate fluctuations	
Foreign exchange rates	
Refinancing debt	

NWC recognizes that a significant part of its performance is dependent on the Aboriginal consumer environment. The Company is intent on maintaining healthy relations with the Aboriginal communities it serves. To nurture this relationship, the Company has programs in place to increase the participation of Aboriginal people in all facets of NWC, from the sales floor, through management to board representation and ownership participation. NWC is committed to increasing the complement of Aboriginal people among new management recruits and heightening the awareness among management and staff of the cultural and social issues that affect Aboriginal people. During 1999, we hired or promoted 26 Aboriginal people into store management positions for a total of 162 or 26% of total store management in Canada. This compares to 1998, when we hired or promoted eight Aboriginal people into store management positions for a total of 136 or 22% of total store management in Canada. In Alaska, we hired or promoted four Aboriginal people into store management positions for a total of 21 or 20% of total store management versus four Aboriginal people for a total of 9% in 1998.

The economy in the North is highly dependent on government spending through social benefits programs, health care, education and services. Capital spending on infrastructure and housing

creates significant economic stimulus as evidenced by the stronger sales growth in the newly-formed Nunavut Territory. Government social assistance spending in Alaska is not as great a factor because the economy derives significant wealth from natural resources such as fishing, oil and mining. The Alaskan economy benefits from annual dividends from a Permanent Fund created by oil royalty revenues collected over the past 15 years. These dividend payments were \$1,774 per resident in 1999 compared to \$1,540 in 1998 and are paid each October. With the strong performance of the Permanent Fund investments in 1999, payments are expected to be about \$2,000 in the year 2000. Recent increases in oil prices will further strengthen the economy.

The remoteness and size of the markets serviced make it difficult for southern-based retail competitors to access our markets. However, catalogues, televised home shopping and electronic commerce provide alternatives to our customers, primarily in the non-perishable categories. Our stores also compete with more accessible major regional centers.

No major retail chains are expected to expand physically into our markets in 2000. Competition is generally stronger from local independent and Co-op stores where we expect to face expanded or new competition in eight markets, as well as from southern retailers selling by catalogue into the North.

NWC is exposed to interest rate fluctuations on \$151.5 million in floating debt compared to \$139.1 million last year. NWC plans to reduce debt as a result of improved operating cash flow, higher inventory turnover, and the disposal of non-core assets. Management has concluded that the benefit of the lower cost of floating rates exceeds the premium required for fixed rate debt to the maturity of the long-term debt in August 2002.

NWC has partially offset the risks of changes in foreign exchange by hedging its investment in Alaska through forward foreign exchange contracts.

We've focused on selling the right mix through the right channels.

JAMES (JIM) B. MITCHELL
Vice-President, General Merchandise Marketing

Jim, 45, joined NWC in 1999. Previously, he held senior management positions with *The Bay*, *Wal-Mart Canada*, and *Sears Canada*. He brings senior leadership experience and strong merchant skills to this new NWC position.



NWC is exposed to the normal risks of refinancing debt. The Company has bonds totaling \$112 million and has also negotiated lines of credit with two Canadian banks and one bank in Alaska. Financial instruments have been used to fix a portion of NWC's debt while other instruments have been used to allow a portion of NWC's debt to float at short-term rates. Management foresees no difficulty in maintaining these credit arrangements in 2000.

The Company places emphasis on customer service when recruiting, training and evaluating the performance of staff in the stores and in support services. Reward and recognition programs enforce the need to recognize that customer service is our first priority.

The *Vision 2000+* strategy results in risks related to customer acceptance of changes to the Company's in-store assortments, pricing, and the expanded role of the catalogue. Some of the margin improvements and cost and inventory reductions planned in *Vision 2000+* are based on the use of technology to enable management and staff to improve efficiency. The Company has made significant investments to ensure that people, processes and technology capabilities will support our strategic goals.

YEAR 2000

The Company had been working on its Year 2000 (Y2K) risk since 1996. The Company had a Y2K Steering Committee that was chaired by the President and a committee staffed by a full-time project manager and other staff as needed. The committee reported directly to the Audit Committee of the Board on a regular basis. Most major merchandising and financial management systems have been replaced in NWC and in AC to enable more effective use of information. These systems are all Y2K compliant. Over the past five years, the cost of the replacement systems and modifications of other systems that were not Y2K compliant was approximately \$13.0 million. Software development and hardware costs were capitalized and are amortized over a five-year period commencing when the application

was put into production. Consulting costs and internal costs related to testing systems, monitoring compliance of trading partners and developing contingency plans were expensed in 1999. Solutions were in place by the fall of 1999 and there were no business disruptions when the year 2000 arrived or to the date of this report.

BUSINESS ENVIRONMENT AND FUTURE PROSPECTS

The key business opportunities facing the Company are being pursued through *Vision 2000+*. The Company believes that it has significant growth potential in its core Canadian business and that this can be realized by meeting the needs of customers by providing a better assortment of groceries, fresh food and everyday basic general merchandise at affordable, fair prices. To deliver this value proposition, the Company is improving market planning, purchasing, delivery and selling systems and has put in place performance-driven reward systems for its people.

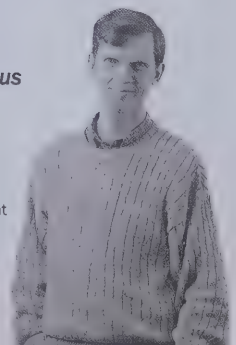
A similar program introduced into Alaska has been encouraging, with sales and earnings showing strong increases for nine consecutive quarters. Continuous improvement in existing stores and wholesale opportunities position AC to deliver further gains in 2000.

Economic factors are slightly more positive for 2000. The eastern Arctic economy will continue to be stimulated by increased spending in Nunavut Territory as the new government establishes itself. Higher oil prices have led to increased speculation related to oil exploration in the western Arctic. The federal government is under increased pressure to address the health care and housing crisis in First Nations communities. Developments in these areas should improve income and spending in many of the markets served by NWC.

Our IS innovations are helping us to work smarter.

TERENCE (TERRY) P. SWEENEY
Vice-President, Information Services

Terry, 42, joined the Company in 1998. Previously, he was a management consultant for KPMG in Toronto where he led the Knowledge Management practice. He brings strong retail and consulting experience to his role including technology management positions with *Loblaw Companies*.



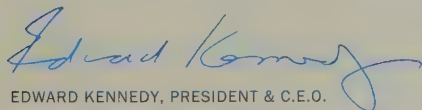
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of North West Company Fund and The North West Company Inc. are responsible for the preparation, presentation and integrity of the accompanying financial statements and all other information in this annual report. The consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles in Canada and include certain amounts that are based on the best estimates and judgment by management.

In order to meet its responsibility and ensure integrity of financial reporting, management has established a code of business ethics, and maintains appropriate internal controls and accounting systems. An internal audit function is maintained that is designed to provide reasonable assurance that assets are safeguarded, transactions are authorized and recorded and that the financial records are reliable.

Final responsibility for financial reporting to unitholders rests with the Trustees of the Fund and the Board of Directors of the Company. The Audit Committee of the Board, consisting of outside Directors, meets periodically with management, Trustees and with the internal and external auditors to review the audit results, internal controls and accounting policies. Internal and external auditors have unlimited access to the Audit Committee. The Audit Committee meets separately with management and the external auditors to review the financial statements and other contents of the annual report and recommend approval by both the Trustees and the Board of Directors. The Audit Committee also recommends the independent auditor for appointment by the unitholders.

PricewaterhouseCoopers LLP, an independent firm of auditors appointed by the unitholders, have completed their audit and submitted their report as follows.



EDWARD KENNEDY, PRESIDENT & C.E.O.
THE NORTH WEST COMPANY INC.



GARY V. EGGERTSON, C.F.O. & SECRETARY
NORTH WEST COMPANY FUND

March 10, 2000

AUDITORS' REPORT

PRICEWATERHOUSECOOPERS 

To the Unitholders of North West Company Fund:
We have audited the consolidated balance sheets of North West Company Fund as at January 29, 2000 and as at January 30, 1999 and the consolidated statements of earnings and retained earnings and cash flows for the fiscal years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at January 29, 2000 and January 30, 1999 and the results of its operations and its cash flows for the fiscal years then ended in accordance with Canadian generally accepted accounting principles.



CHARTERED ACCOUNTANTS
WINNIPEG, CANADA

March 10, 2000

CONSOLIDATED BALANCE SHEETS (in thousands of Canadian dollars)

	January 29, 2000	January 30, 1999
ASSETS		
Current assets		
Cash	\$ 10,155	\$ 11,636
Accounts receivable	49,272	46,954
Income taxes recoverable	203	388
Deferred income taxes	1,253	-
Inventories	114,414	114,022
Prepaid expenses	867	1,137
	176,164	174,137
Capital assets (Note 3)	195,429	197,310
Deferred income taxes	3,593	2,919
Other assets (Note 4)	12,351	13,045
	\$ 387,537	\$ 387,411
LIABILITIES		
Current liabilities		
Bank advances and short-term notes (Note 5)	\$ 44,676	\$ 40,929
Accounts payable and accrued	46,157	49,321
Current portion of long-term debt	1,653	473
	92,486	90,723
Long-term debt (Note 6)	125,146	132,571
	217,632	223,294
EQUITY		
Capital (Note 7)	148,587	148,587
Retained earnings	18,182	11,825
Cumulative translation adjustment (Note 8)	3,136	3,705
	169,905	164,117
	\$ 387,537	\$ 387,411

Approved by the Trustees and Board


 Trustee and Director


 Director

CONSOLIDATED STATEMENTS OF EARNINGS & RETAINED EARNINGS (in thousands of Canadian dollars)

	52 weeks ended January 29, 2000	52 weeks ended January 30, 1999
SALES AND OTHER REVENUE	\$ 626,469	\$ 629,118
Cost of sales, selling and administrative expenses	(566,513)	(567,078)
Earnings before interest, unusual item, income taxes and amortization	59,956	62,040
Amortization	(20,147)	(19,209)
EARNINGS BEFORE INTEREST, UNUSUAL ITEM AND INCOME TAXES	39,809	42,831
Interest, including interest on long-term debt of \$8,616 (1998 \$9,178)	(11,701)	(13,714)
Unusual item (Note 15)	–	(20,000)
Earnings before income taxes	28,108	9,117
(Provision) recovery for income taxes including deferred recovery of \$1,669 (1998 \$1,308) (Note 9)	(151)	7,028
EARNINGS FOR THE YEAR	27,957	16,145
Retained earnings, beginning of year	11,825	14,430
Distributions	(21,600)	(18,750)
RETAINED EARNINGS, END OF YEAR	\$ 18,182	\$ 11,825
EARNINGS PER UNIT (Note 10)	\$ 1.86	\$ 1.08

Distributions to unitholders rose 44% in 1999.

GARY V. EGGERTSON
Vice-President, C.F.O. & Secretary

Gary, 52, joined the Northern Stores Division of the *Hudson's Bay Company* in 1972. Company Controller since 1979, he became Vice-President, Finance and Secretary in 1987. Gary brings a deep understanding of NWC and the business of retailing to his role of C.F.O.

CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands of Canadian dollars)

	52 weeks ended January 29, 2000	52 weeks ended January 30, 1999
CASH PROVIDED BY (USED IN)		
Operating Activities		
Earnings for the year	\$ 27,957	\$ 16,145
Non-cash items		
Amortization	20,147	19,209
Deferred income taxes	(1,669)	(1,308)
Amortization of bond warrant proceeds and interest rate fixing payment	(1,624)	(2,035)
Loss (Gain) on disposal of capital assets	(201)	99
Unusual item	-	20,000
Cash flow from operations	44,610	52,110
Changes in other non-cash items	(7,103)	7,544
Operating activities	37,507	59,654
Investing Activities		
Purchase of capital assets	(22,777)	(18,328)
Proceeds from sale of capital assets	2,104	923
Investing activities	(20,673)	(17,405)
Financing Activities		
Change in bank advances and short-term notes	3,747	(25,408)
Reinvestment of unit distribution	-	3,750
Repayment of long-term debt	(462)	(581)
Financing activities	3,285	(22,239)
Distributions	(21,600)	(18,750)
CHANGE IN CASH	(1,481)	1,260
Cash, beginning of year	11,636	10,376
CASH, END OF YEAR	\$ 10,155	\$ 11,636
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for		
Interest expense	\$ 14,047	\$ 16,117
Income taxes	1,893	2,621
Cash Flow From Operations Per Unit	\$ 2.97	\$ 3.47

notes

to consolidated financial statements
January 29, 2000

1. ORGANIZATION

The North West Company Fund (NWF) is an unincorporated open-ended mutual fund trust, governed by the laws of the Province of Manitoba and the laws of Canada and created pursuant to a Declaration of Trust. The beneficiaries of the Fund (the "unitholders") are holders of trust units issued by the Fund (the "Trust Units"). The Fund is a limited purpose trust whose purpose is to invest in securities of its wholly owned subsidiary The North West Company Inc. (NWC), administer the assets and liabilities of NWF and make distributions to the unitholders all in accordance with the Declaration of Trust.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Comparative Amounts

The consolidated financial statements of the Fund include the amounts of its wholly owned subsidiary NWC and its subsidiaries, all of which are wholly owned.

These consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles in Canada. All significant intercompany amounts and transactions have been eliminated on consolidation.

Fiscal Year

The fiscal year ends on the last Saturday in January. Accordingly, the 1999 fiscal year ended January 29, 2000 (52 weeks) and the 1998 fiscal year ended January 30, 1999 (52 weeks). Approximately every five years an additional week of sales and expenses are included in the financial results to bring results back in line with the 52 week year.

Accounts Receivable

In accordance with recognized retail industry practice, accounts receivable classified as current assets include customer installment accounts of which a portion will not become due within one year.

Inventories

Inventories are valued at the lower of cost and net realizable value less normal profit margins. The cost of inventories is determined primarily using the retail method of accounting for general merchandise inventories and the cost method of accounting for food inventories.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided using the straight-line method at rates which will fully amortize the assets over their estimated useful lives, as follows:

Buildings	2%–5%
Leasehold improvements	5%–20%
Computer equipment and software	12%–33%
Fixtures and equipment	8%
Transportation equipment	8%–20%

Other Assets

The investments in transportation companies are accounted for on the equity basis. Prepayments under lease agreements are being amortized over their respective lease terms. Deferred financing fees are being amortized over the terms of the loan agreements.

Income Taxes

The Fund is an inter vivos trust for income tax purposes. All income of the trust is distributed to unitholders and, as such, no income tax is payable by the trust. Provision for income taxes is recorded in NWC and its subsidiaries, at applicable statutory rates.

We deliver the goods – by sealift, winter roads, and air.

BRADLEY (BRAD) R. VOLLRATH
Vice-President, Logistics

Brad, 39, joined the Company in 1987. He has served as Corporate Controller, Director of Transportation, and Vice-President, Finance, Distribution & Transportation for the Alaska Commercial Company. Brad is also a board member of *Transport Nanuk*, the Company's shipping investment.

Pensions in Canada

Current service costs under NWC's pension plans are charged to operations as they accrue. The difference between the market value of pension fund assets and the actuarially determined present value of accrued pension obligations, as well as experience gains and losses, are amortized over the expected average remaining service life of the employee group. Actuarial valuations are calculated using the projected benefit method pro-rated on services, based on management's best estimate of future events.

Unit Appreciation Rights (UARs) Plans

The Company has two UARs plans that are described in Note 14. Compensation expense is accrued annually on UARs issued to senior management in the year the UARs vest. No units of the Fund are issued under these plans.

Employee Savings Plan in Alaska

Alaska Commercial Company (AC) sponsors an employee savings plan covering substantially all employees. Under the terms of the plan, AC is obligated to make a 50% matching contribution up to 3% of eligible compensation, otherwise contributions are discretionary. Contributions to this plan are expensed as incurred.

Foreign Currency Translation

The accounts of Alaskan operations have been translated into Canadian dollars as follows: assets and liabilities, at the year-end exchange rate; revenues and expenses, at the average exchange rate for the period. Foreign exchange gains or losses arising from the translation of the net investment in self-sustaining Alaskan operations and a forward foreign exchange contract are deferred and included in a separate component of equity as a cumulative translation adjustment.

3. CAPITAL ASSETS (in thousands of Canadian dollars)

Fiscal Year Ended	January 2000		January 1999	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 5,985	\$ -	\$ 6,602	\$ -
Buildings & leasehold improvements	175,878	52,705	171,804	46,194
Fixtures & equipment	136,812	70,541	130,984	65,886
	\$318,675	\$123,246	\$309,390	\$112,080
Net Book Value		\$195,429		\$197,310

4. OTHER ASSETS (in thousands of Canadian dollars)

Fiscal Year Ended	January 2000	January 1999
Investments in transportation companies	\$4,935	\$4,893
Deferred pension costs	1,397	1,641
Prepayments under lease agreements	874	912
Long-term receivable	2,171	2,273
Other*	2,974	3,326
	\$12,351	\$13,045

* Other includes deferred financing fees, redeemable deposits with suppliers, and a mortgage receivable.

5. BANK ADVANCES AND SHORT-TERM NOTES

The Canadian operation has operating lines of credit of \$100 million. These lines of credit have been obtained by NWC on a secured basis as outlined in Note 6.

The Alaskan operation has an operating line of credit of \$4 million U.S. secured by a guarantee of NWC.



Our people are expanding skills and we're creating new opportunities for them.

KAREN J. MILANI
Vice-President, Human Resources

Karen, 37, joined the Company in 1997 as Director, Employee Relations and became Vice-President, Human Resources in April 2000. She brings creative energy, a problem solving approach and front-line experience with people to her new role on the senior management team.

6. LONG-TERM DEBT (in thousands of Canadian dollars)

Fiscal Year Ended	January 2000	January 1999
Bonds	\$112,000	\$112,000
Deferred warrant proceeds	3,213	4,459
Deferred interest rate fixing payments	-	378
Forward foreign exchange (receivable) payable	(2,308)	1,267
U.S. real estate loans	6,780	7,637
Manitoba Development Corporation	5,000	5,000
U.S. obligation under capital lease	2,114	2,303
	126,799	133,044
Less: Current portion	1,653	473
	\$125,146	\$132,571

On August 28, 1995, NWC issued \$112 million of senior bonds at a blended interest rate of 12.36%, due August 28, 2002. Interest is payable semi-annually on February 28 and August 28. These bonds were originally issued on an unsecured basis. On March 27, 1997, when the Plan of Arrangement creating NWF became effective, the following security was granted to senior bondholders and the banks providing NWC's Canadian operating lines of credit:

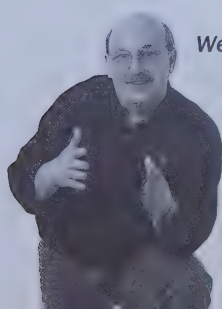
- General security agreement of NWC and its subsidiaries to each of the bondholders and banks;
- Debenture of NWC to the bondholders and banks and pledge thereof; and
- Pledge of securities of subsidiaries of NWC to the bondholders and banks.

Deferred warrant proceeds, less expenses, represent an amount received related to the issuance of the bonds and are being amortized to income over their term resulting in an effective interest rate of 9.56%.

The Company has the following financial arrangements in place including interest rate swap arrangements and a forward foreign exchange transaction with respect to the bonds.

1. The interest rate on \$20 million, which was fixed at 8.20%, for a period of three years expired on August 28, 1998 and is now floating as reflected in #4 below. The interest rate on \$20 million was fixed at 8.61%, for a period of five years, commencing on August 28, 1995.
2. A forward foreign exchange contract was entered into whereby \$42.828 million was effectively converted, on August 28, 1995, into \$30 million U.S. This transaction, which terminates on August 28, 2002, results in NWC paying U.S. dollars at a fixed rate and receiving Canadian dollars at the same fixed rate which is equal to the bond interest rate.
3. An interest rate swap was entered into for \$30.750 million U.S. whereby the U.S. dollar fixed rate debt effectively created in #2 was converted from fixed rate debt to floating rate debt. This swap terminates on August 28, 2002 and NWC pays a floating rate that is approximately 1.57% above the three-month London Interbank Offered Rate (LIBOR).
4. An interest rate swap for \$32.122 million was entered into whereby these funds were converted from fixed rate debt to floating rate debt. This swap, which terminates on August 28, 2002, increased to \$52.122 million on August 28, 1998 when the fixed interest rate arrangements described in #1 expired. As a result of this swap, NWC pays a floating rate that is approximately 0.13% below the three-month Canadian Banker's Acceptance rate.
5. An interest rate swap for \$21.2 million was entered into which commences on August 28, 2000 and terminates on August 28, 2002. This swap converts the interest rate on these funds from fixed rate to floating rate once the arrangements described in #1 expire. The floating rate NWC will pay will be the same as described in #4.

As a result of these arrangements, NWC is subject to interest rate fluctuations on \$92 million of its bond proceeds. Furthermore, NWC is subject to foreign currency fluctuations on the interest payments pertaining to the forward foreign exchange transaction and the U.S. swap.



We've grown market share in rural and bush Alaska by 39% over the last two years.

ROBERT (BOB) S. GALOSICH
Vice-President, Wholesale Operations, Alaska Commercial Company (AC)

Bob, 49, joined AC in 1984 as Branch Manager of the Cordova store. He held various management positions in marketing and retail operations before being appointed General Manager of *Frontier Expeditors* in 1998. Bob is leading an aggressive growth plan in 2000.

The Alaska Industrial and Economic Development Export Authority (AIDEA) and two Alaskan-based banks have provided the U.S. real estate loans to assist in the financing of new stores. The remaining term of the loans is 10 years and the loans bear interest rates equivalent to 90-day commercial paper plus 2.6% for the AIDEA loans which represent 80% of the principal. The interest on the bank portion of these loans is approximately prime U.S. plus 0.75%. These loans are secured by the stores and related equipment.

The Manitoba Development Corporation loan of \$5 million, provided to assist in the financing of the Winnipeg Retail Service Centre, bears interest at the rate charged by the Manitoba Government to Crown Corporations and is repayable in four equal annual payments commencing December 31, 2000 and ending December 31, 2003. The loan is secured by a first fixed charge against the leasehold title to the land, a first fixed charge against the building, and a first fixed charge on all present and future processing equipment connected with the project. Interest is forgiven if NWC attains agreed upon annual job creation targets. The Company anticipates that the agreed targets will be met; accordingly, no interest has been accrued.

The U.S. obligation under a capital lease is repayable in blended principal and interest payments of \$200,000 U.S. annually. The obligation will be fully repaid on October 31, 2013.

The bonds and related swap arrangements are the only financial instruments with fair values that vary significantly from carrying value. The fair value of the bonds as at January 29, 2000 was \$11.8 million (1999 – \$20.9 million) higher than the carrying value. However, this is offset by the fair value of \$11.8 million (1999 – \$20.9 million) in favor of NWC on the interest rate swap arrangements and the foreign exchange transaction with a credit worthy counterparty.

The Company's interest rate risk is directly attributed to its bank advances and short-term notes as well as its long-term debt.

7. CAPITAL (in thousands of Canadian dollars)

Fiscal Year Ended	January 2000	January 1999
Opening capital (15,000,000 units)	\$148,587	\$144,837
Reinvestment of unit distribution*	–	3,750
Capital (15,000,000 units)	\$148,587	\$148,587

* The distribution paid to unitholders on December 31, 1998 was in the form of units, which were immediately consolidated and reinvested into capital of the Fund.

8. CUMULATIVE TRANSLATION ADJUSTMENT

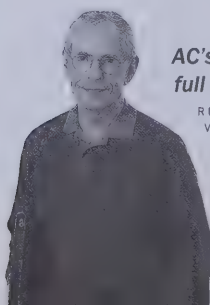
The cumulative translation adjustment account represents the net changes due to exchange rate fluctuations in the equivalent Canadian dollar book values of the net investment in self-sustaining Alaskan operations since the date of acquisition. The change in this account as at January 29, 2000 is attributable to the strengthening of the Canadian dollar relative to the U.S. dollar during the year.

9. INCOME TAXES

The Company's effective income tax rate is determined as follows:

Fiscal Year Ended	January 2000	January 1999
Combined income tax rate	44.2%	44.3%
Increase (decrease) in the income tax rate resulting from:		
Amounts not subject to tax	(3.0)	0.1
Tax on large corporations	1.9	5.5
Recovery of prior years taxes at rates higher than the statutory rate	–	(10.7)
Effective Canadian income tax rate	43.1%	39.2%
Adjustment for:		
Non-recognition of tax benefit on U.S. losses	(8.0)	(13.6)
Tax deduction on interest paid to the Fund	(34.6)	(102.7)
Effective income tax rate	0.5%	(77.1)%

The Alaskan operation has operating loss carryforwards of \$5.7 million U.S. to offset future income for tax purposes. These expire at the rate of \$3.1 million in 2010, \$2.1 million in 2011 and \$0.5 million in 2012. The future benefit of these loss carryforwards has not been recorded in these financial statements.



AC's expense rate fell a full percentage point in 1999.

RICHARD (DICK) G. HODGE
Vice-President, Large Store Operations, Alaska Commercial Company (AC)

Dick, 60, joined AC in February 1996 as an Advisor on large store operating strategies. Prior to joining AC, Dick held senior management positions with various large American retailers. He was founder and C.O.O. of the Eagle Stores Division of Carr Gottstein Foods, which competed directly with AC's large store group.

10. EARNINGS PER UNIT

Earnings per unit are based on the weighted-average number of units outstanding during the year.

11. SEGMENTED INFORMATION

(in thousands of Canadian dollars)

The Company operates predominantly within the retail industry in northern Canada and Alaska. The following information is presented for the two business segments of NWC:

Fiscal Year Ended	January 2000	January 1999
Sales and other revenue		
Canada	\$ 478,508	\$ 494,023
Alaska	147,961	135,095
Total	626,469	629,118
Earnings before interest, unusual item, income taxes, and amortization		
Canada	51,075	55,736
Alaska	8,881	6,304
Total	59,956	62,040
Earnings before interest, unusual item, and income taxes		
Canada	33,788	38,997
Alaska	6,021	3,834
Total	39,809	42,831
Identifiable assets		
Canada	274,446	267,469
Alaska	66,934	70,621
Total	341,380	338,090

12. PENSIONS

The Company maintains defined benefit pension plans for its Canadian employees. The plans provide pensions based on length of service and final average earnings. The accrued pension benefits and the market value of the plans' net assets were last determined by actuarial valuation as at January 30, 1999. At January 29, 2000, the plans' obligations are estimated to be \$38,213,000 (1999 \$33,932,000) and the net assets available to provide these benefits are estimated to be \$42,840,000 (1999 \$42,736,000).

13. OPERATING LEASE COMMITMENTS

The Company leases the land on which the Winnipeg Retail Service Centre is located from the City of Winnipeg for \$1 per year for 15 years subject to attaining agreed-upon job creation targets. The Company anticipates that the agreed targets will be met, accordingly, no additional lease payments have been accrued. The Company is obligated to buy the land for the greater of \$1,710,000 or fair market value at August 31, 2007.

The Company has future commitments under operating leases as follows:

Years Ending January	Minimum Lease Payments (in thousands of Canadian dollars)
2001	\$ 8,030
2002	7,226
2003	6,589
2004	6,068
2005	5,065
Thereafter	49,054

14. UNIT APPRECIATION RIGHTS (UARS) PLANS

The Company has two UARs plans, non-contingent and performance contingent, which form part of the long-term incentive program for senior management. UARs are granted to senior management at the discretion of the Board. Compensation expense recovered in the year under the plan was \$294,000 compared to a provision of \$541,000 in 1998.

Non-Contingent Plan

A summary of the Company's non-contingent plan and changes during the year is presented below:

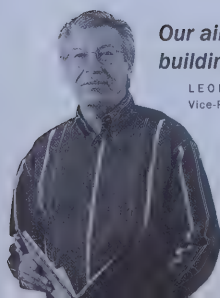
Fiscal Year Ended	January 2000		January 1999	
	UARs (000's)	Price*	UARs (000's)	Price*
Outstanding at beginning of year	757	\$14.07	533	\$13.24
Granted	140	13.87	495	14.32
Exercised	(25)	11.52	(163)	12.70
Forfeited	(155)	17.34	(108)	13.19
Outstanding at end of year	717	13.41	757	14.07
UARs exercisable at year-end	158		152	

* Weighted-average

Our aim – a balance between building and reaping rewards.

LEONARD (LEN) G. FLETT
Vice-President, Store Development & Public Affairs

Len, 58, started his career with the Company in 1964, as the fourth generation of Fletts to work with Northern stores. He has held various management positions including Director, Native Business Development. Len is actively involved with a variety of Aboriginal organizations.



The non-contingent UARs vest over five years and expire after six years. As of January 29, 2000, the 716,790 non-contingent UARs outstanding under this Plan have exercise prices between \$7.50 and \$15.50.

Performance Contingent Plan

The Company grants qualifying senior management UARs where vesting is contingent upon the Company reaching predetermined financial targets for the year ending January 2002 and the personal ownership of units equal to the number of UARs granted. These contingent UARs vest over three years beginning in 2002 and expire after four years.

A summary of the Company's performance contingent plan and changes during the year is presented below:

Fiscal Year Ended	January 2000		January 1999	
	UARs (000's)	Price*	UARs (000's)	Price*
Outstanding at beginning of year	316	\$14.12	0	\$ 0.00
Granted	69	13.87	316	14.12
Forfeited	(36)	14.09	0	0.00
Outstanding at end of year	349	14.08	316	14.12

* Weighted-average

As of January 29, 2000, the 348,950 performance contingent UARs outstanding under the Plan have exercise prices between \$13.40 and \$15.05.

15. UNUSUAL ITEM

During the first quarter ended May 2, 1998, the Company recorded unusual charges totaling \$20,000,000 (\$11,140,000 after deducting related income tax credits of \$8,860,000) as a result of a major repositioning of its Canadian operations designed to sharpen the Company's focus on its core markets and improve performance. Of this amount, \$9,000,000 represented write-downs of discontinued inventory, \$7,000,000 was provided for head office and store staff reduction costs and \$4,000,000 was provided for other related costs. The earnings per unit before the unusual item for the 52 weeks ended January 30, 1999 was \$1.82 reflecting an after tax impact of \$0.74 per unit as a result of the transaction.

16. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

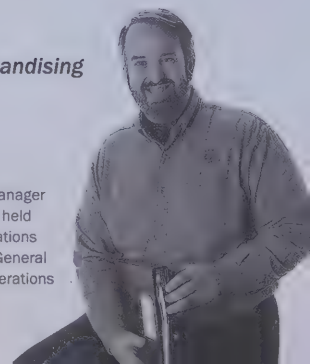
17. COMPARATIVE AMOUNTS

The comparative amounts have been reclassified to conform with the current year's presentation.

We've improved food merchandising and seasonal programs.

REX A. WILHELM
Vice-President, Small Store Operations,
Alaska Commercial Company (AC)

Rex, 42, joined AC in 1984 as Grocery Manager of the Nome store and has subsequently held key management positions in store operations and within corporate office. He became General Manager in 1992 and Vice-President, Operations in 1993.



SIX YEAR FINANCIAL SUMMARY (in thousands of Canadian dollars)

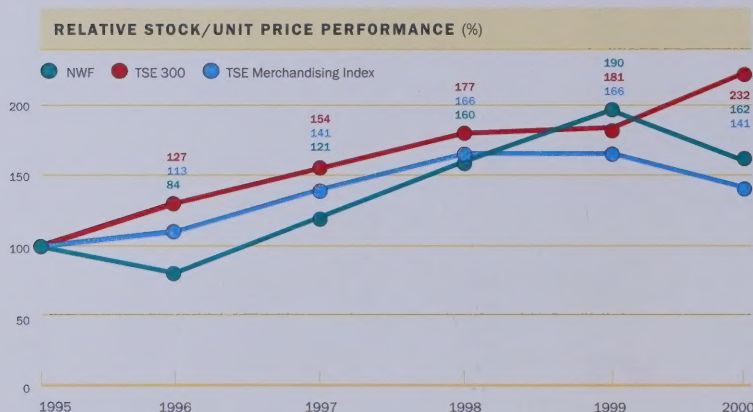
Fiscal Year Ended January	2000	1999	1998	1997	1996	1995
CONSOLIDATED STATEMENTS OF EARNINGS						
Sales and other revenue – Canadian Operations	\$478,508	\$494,023	\$497,997	\$474,465	\$470,306	\$470,890
Sales and other revenue – Alaskan Operations	147,961	135,095	118,713	116,118	121,728	115,352
Sales and other revenue – Total	626,469	629,118	616,710	590,583	592,034	586,242
EBIUT – Canadian Operations	33,788	38,997	37,953	43,017	34,916	38,383
EBIUT – Alaskan Operations	6,021	3,834	1,634	191	(2,056)	49
EBIUT – Total	39,809	42,831	39,587	43,208	32,860	38,432
Amortization – Canadian Operations	17,287	16,739	15,525	14,181	12,535	10,377
Amortization – Alaskan Operations	2,860	2,470	1,986	1,968	2,636	1,828
Amortization – Total	20,147	19,209	17,511	16,149	15,171	12,205
Unusual Items	–	20,000	–	–	16,129	–
Interest	11,701	13,714	12,298	11,843	12,548	10,472
Income tax provision (recovery)	151	(7,028)	6,252	13,507	9,355	11,721
Earnings (loss)	27,957	16,145	21,037	17,858	(5,172)	16,239
Cash flow	44,610	52,110	35,992	30,587	23,966	26,173
Pre-tax cash flow	46,503	54,731	47,586	41,072	36,979	40,623
Distributions/Dividends	21,600	18,750	8,925	6,094	6,466	6,304
Capital expenditures	22,777	18,328	28,818	22,994	29,745	58,476
Change in cash	(1,481)	1,260	6,967	(1,759)	(1,285)	(683)
CONSOLIDATED BALANCE SHEETS						
Current assets	\$176,164	\$174,137	\$213,659	\$184,836	\$185,932	\$204,253
Capital assets	195,429	197,310	198,074	184,268	179,651	179,822
Deferred income taxes	3,593	2,919	(9,102)	(8,570)	(9,587)	(10,930)
Other assets	12,351	13,045	13,403	14,632	10,364	8,359
Current liabilities	92,486	90,723	121,398	92,585	83,671	135,591
Long-term debt	125,146	132,571	134,476	135,228	142,736	85,939
Equity	169,905	164,117	160,160	147,353	139,953	159,974
CONSOLIDATED PER UNIT/SHARE (\$)						
Basic and fully diluted earnings before unusual item	\$ 1.86	\$ 1.82	\$ 1.40	\$ 1.18	\$ 0.68	\$ 1.00
Net earnings (loss) – fully diluted	1.86	1.08	1.40	1.18	(0.32)	1.00
Cash flow	2.97	3.47	2.40	2.03	1.49	1.62
Pre-tax cash flow	3.10	3.65	3.17	2.72	2.31	2.51
Distributions paid in cash during the year	1.44	1.00	0.40	0.00	0.00	0.00
Distributions paid in units during the year	0.00	0.25	0.00	0.00	0.00	0.00
Pre-tax equivalent dividend	0.00	0.00	0.35	0.70	0.70	0.68
Dividends paid during the year	0.00	0.00	0.20	0.40	0.40	0.39
Equity at end of year	11.33	10.94	10.68	9.82	9.02	9.90
Market price at end of year	11.75	15.50	14.00	11.00	8.50	9.88
STATISTICS AT YEAR END						
Number of stores – Canadian	152	150	162	159	160	163
Number of stores – Alaskan	25	23	28	27	28	28
Canadian stores selling square feet (000's) end of year	990	990	1,063	1,026	1,009	1,004
Alaskan stores selling square feet (000's) end of year	235	229	227	229	223	223
Canadian sales per average selling square foot	\$ 483	\$ 481	\$ 477	\$ 466	\$ 467	\$ 482
Alaskan sales per average selling square foot	\$ 638	\$ 592	\$ 520	\$ 513	\$ 545	\$ 622
Number of employees – Canadian	3,787	3,823	4,004	3,725	3,779	3,728
Number of employees – Alaskan	655	635	685	645	704	640
Average units/shares outstanding (000's)	15,000	15,000	15,000	15,095	16,040	16,164
Units/shares outstanding at end of year (000's)	15,000	15,000	15,000	15,000	15,519	16,164
FINANCIAL RATIOS						
EBIUTA (%)	9.6	9.9	9.3	10.1	8.1	8.6
EBIUT (%)	6.4	6.8	6.4	7.3	5.6	6.6
Total return on net assets before unusual item (%)	11.6	12.1	11.4	13.4	9.8	12.4
Return on average equity before unusual item (%)	16.8	17.6	13.9	12.7	7.0	10.6
Pre-tax distribution as % of prior years pre-tax cash flow	39.5	31.5	27.4	30.4	27.9	26.4
Inventory turnover (times)	3.4	3.1	3.0	3.0	2.8	2.8

unitholder information

QUARTERLY HISTORY

Fiscal Year	High	Low	Close	Volume	EPU*
1999	\$ 15.95	\$ 11.25	\$ 12.00	2,795,000	\$ 1.86
April 30, 1999	15.75	13.75	14.75	464,000	0.35
July 31, 1999	15.95	14.00	15.40	489,000	0.57
October 31, 1999	15.50	12.75	13.30	1,063,000	0.43
January 31, 2000	13.50	11.25	12.00	779,000	0.51
1998	\$ 16.65	\$ 11.55	\$ 15.50	4,603,000	\$ 1.82
April 30, 1998	16.25	13.80	15.90	1,909,000	0.19
July 31, 1998	16.65	15.50	15.60	971,000	0.51
October 31, 1998	15.20	11.55	13.60	1,000,000	0.50
January 31, 1999	15.75	13.50	15.50	723,000	0.62
1997	\$ 14.80	\$ 10.25	\$ 14.00	6,204,000	\$ 1.40
April 30, 1997	13.10	10.25	11.25	2,068,000	0.16
July 31, 1997	14.80	11.00	14.50	1,856,000	0.35
October 31, 1997	14.70	13.50	14.00	1,093,000	0.40
January 31, 1998	14.15	13.50	14.00	1,187,000	0.49

* Earnings per unit before unusual item.



This chart compares the relative performance of units of North West Company Fund, formerly shares of The North West Company, over the past five years ended January 31, with the TSE 300 composite and merchandising indices. The shares were converted on a one-for-one basis into units of the Fund effective March 27, 1997. The index incorporates the reinvestment of dividends and income distributions.

All currency figures in this report are in Canadian dollars, unless otherwise noted.

2000 FINANCIAL CALENDAR

Reporting Dates

First Quarter: June 1, 2000
 Second Quarter: September 15, 2000
 Third Quarter: December 19, 2000
 Fourth Quarter: March 21, 2001

NORTH WEST COMPANY FUND DISTRIBUTION DATES

- March 15, 2000
Record date: February 15, 2000
- June 15, 2000
Record date: May 15, 2000
- September 15, 2000
Record date: August 15, 2000
- December 15, 2000
Record date: November 15, 2000

ANNUAL MEETING

The Annual Meeting of Unitholders of North West Company Fund will be held on Thursday, June 1, 2000 at 11:30 am in the Muriel Richardson Auditorium, Winnipeg Art Gallery, 300 Memorial Boulevard, Winnipeg, Manitoba.

Transfer Agent and Registrar

CIBC Mellon Trust Company
 Winnipeg • Toronto
 Toll-Free 1 800 387 0825
www.cibcmellon.ca

Stock Exchange Listings

The Toronto Stock Exchange
 The Winnipeg Stock Exchange

- **Stock Symbol** NWF.UN
- **TIN#** T 17 685 782
- **CUSIP #** 662906-10-6

Number of units outstanding at fiscal year end: 15,000,000
 Average number of units outstanding in 1999: 15,000,000

THE NORTH WEST COMPANY INC.**Directors**

Ian Sutherland^{1,5}
Chairman

Edward S. Kennedy
President & Chief
Executive Officer

Lloyd I. Barber^{2,3}
President Emeritus,
The University of Regina

Donald A. Beaumont^{1,3,4}
President,
Beaumont & Associates

Frank J. Coleman^{3,4}
President & Chief
Executive Officer,
Coleman Group of Companies

Nellie Cournoyea^{2,4,5}
Chairperson & Chief
Executive Officer, Inuvialuit
Regional Corporation

Raymond Doré^{2,3}
Chairman & Chief
Executive Officer,
MCAP Financial Corporation

Gary J. Lukassen^{1,3,4}
Executive Vice-President &
Chief Financial Officer,
Hudson's Bay Company

Stanley McKay^{4,5}
Director, Spiritual Care,
Health Sciences Centre;
Co-Director, Dr. Jessie
Saulteaux Resource Centre

James G. Osborne^{1,2,5}
President, Westgate
Capital Management Corp.

T. Iain Ronald^{1,2,5}
Corporate Director

Officers

Ian Sutherland
Chairman

Edward S. Kennedy
President & Chief
Executive Officer

Gary V. Eggertson
Vice-President, Chief
Financial Officer & Secretary

Scott F. Findlay
Vice-President,
Food Marketing

Leonard G. Flett
Vice-President,
Store Development
& Public Affairs

Carl A. McKay
Vice-President,
Sales & Operations
Traders Division

Karen J. Milani
Vice-President,
Human Resources

James B. Mitchell
Vice-President,
General Merchandise
Marketing

David J. Preddy
Vice-President,
Sales & Operations
Merchants Division

Terence P. Sweeney
Vice-President,
Information Services

Bradley R. Vollrath
Vice-President,
Logistics

Committees of the Board

- ¹ Executive Committee
- ² Corporate Governance & Nominating Committee
- ³ Audit Committee
- ⁴ Human Resources & Compensation Committee
- ⁵ Pension Committee

NORTH WEST COMPANY FUND**Trustees**

Ian Sutherland
Chairman,
The North West Company Inc.

Kevin R. Bolt
Partner,
Aikins, MacAulay &
Thorvaldson

David G. Broadhurst
President,
Reeve Court Insurance
Limited

Officers

Gary V. Eggertson
Chief Financial Officer &
Secretary

Reinhard Sedlacek
Treasurer

Principal Subsidiary Company:

ALASKA COMMERCIAL COMPANY**Corporate Executive**

Edward S. Kennedy
Chairman &
Chief Executive Officer

Gerald H. Bittner
President

Robert S. Galosich
Vice-President,
Wholesale Operations

R. Grant Hodge
Vice-President,
Large Store Operations

Rex A. Wilhelm
Vice-President,
Small Store Operations

CORPORATE INFORMATION**Auditors**

PricewaterhouseCoopers LLP

Bankers

The Toronto-Dominion Bank
Bank of Montreal

Registered Office

Gibraltar House
77 Main Street
Winnipeg, Manitoba
Canada R3C 2R1
204 943 0881
Toll-free: 1 800 563 0002

For additional copies of
this report or for general
information about the Fund
or the Company, contact
our Assistant Corporate
Secretary, Linda Peever

Dial direct: 204 934 1504
Fax: 204 934 1455

E-mail: lpeever@northwest.ca

Corporate website:
www.northwest.ca

Throughout this annual report, photographs of customers and employees from the communities of Anchorage, Bethel, Iqaluit, Rossville and Winnipeg are shown.

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The North West Company is recognized as a Caring Company by IMAGINE, an initiative of the Canadian Centre for Philanthropy. IMAGINE-designated companies have a policy of donating at least 1% of average pre-tax profits to charitable and nonprofit organizations.

At The North West Company, the commitment of employees goes far beyond merely donating funds. Employees devote their time and expertise, both on and off the job, to ensure the success of various community organizations and projects.



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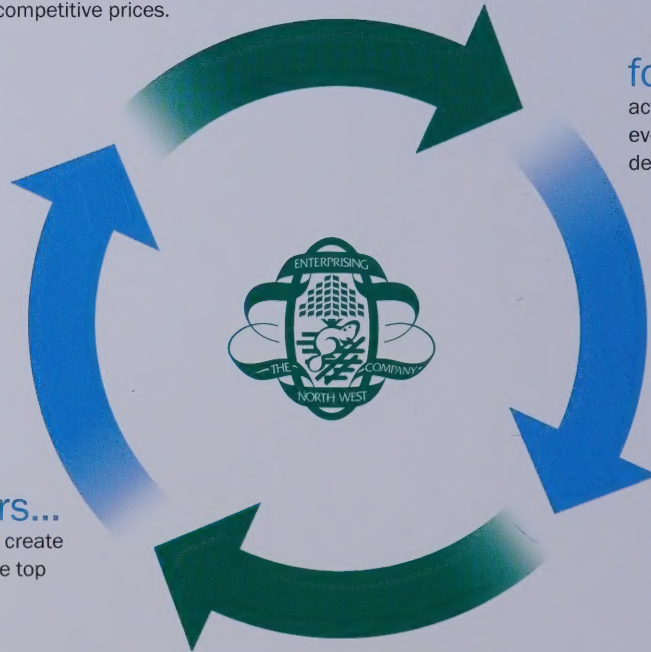
our values at work

for our customers...

providing a superior selection of food and everyday needs, a broad range of direct order products and accessible services – all at fair, competitive prices.

for our communities

actively supporting local events and community development initiatives.



for our investors...

delivering total returns that create economic value and achieve top quartile performance.

for our employees...

fostering a spirit of enterprise and reward for performance in an environment characterized by openness, mutual respect and encouragement.